Northwest Power and Conservation Council

February 5, 2013

MEMORANDUM

TO: Power Committee

FROM: Massoud Jourabchi

SUBJECT: Review of Electric Sales and Revenues 2007-2011

At the January Council meeting, Dick Adams and Shauna McReynolds presented PNUCC's report on changes in Northwest residential electricity rates. Expanding on PNUCC's review to other sectors, staff has compared individual utility filings using Department of Energy data to report on regional sales, revenues, average rates, and consumer electricity bills for 2007-2011.

Our analysis shows that the regional sales during 2077-2011 were stable at around 20,000 average megawatts. Northwest utility revenues were about $12 billion dollars in 2011, increasing from about $10.5 billion in 2007. Industrial sales have recovered significantly, while the residential sector has been stable, and the commercial sector has declined somewhat. Between 2007 and 2011, average electricity rates increased from about $62 dollars to $69 dollars per megawatt-hour, an annual growth rate of 2.9 percent. After adjusting for inflation, rates increased by about 1.2 percent per year.

After adjusting for inflation, the average revenue per megawatt-hour of sales declined for public-owned utilities while average revenue per megawatt-hour of sales increased for investor-owned utilities, and the gap between the two is increasing. It has increased over time from about $8 per megawatt-hour in 2007 to $21 per megawatt-hour in 2011.

Review of electric bills shows that residential customers spent about $1 per day per person after adjusting for inflation.

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Review of Electric Sales and Revenues 2007-2011

February 12, 2013

In Today's informational Presentation

- State of Economy in 2007-2011
- Review of Electric Sales and Revenues 2007-2011

Review of Residential Rates Since 2007

- Recent PNUCC survey of residential rates indicated increase in rates.
- The reasons cited for change in rates varied by utility.
- Some of the reasons for change in rates; Changes in demand for power, addition of new power supply.

Review of 2007-2011

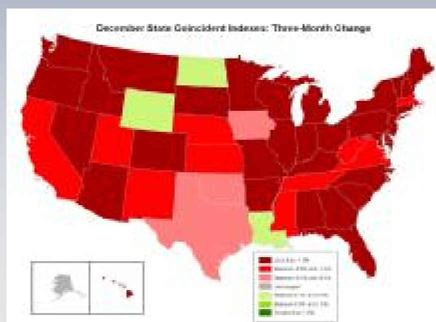
As part of Council's ongoing monitoring regional markets we look at Regional Economy, Natural Gas Prices as well as electric utility sales, revenues and prices.

- Using individual utility filed data with US DOE (EIA 861) we can say this about utility industry in the region:
  - Sales are stable.
  - Revenues are up
  - Average revenue per MWH of sales are up
  - Electric bills per household are modest and growing slowly.

State of Economy: Regional Economy is Improving

Dec 2008

Nov 2012



State Coincident Index 2008, 2012

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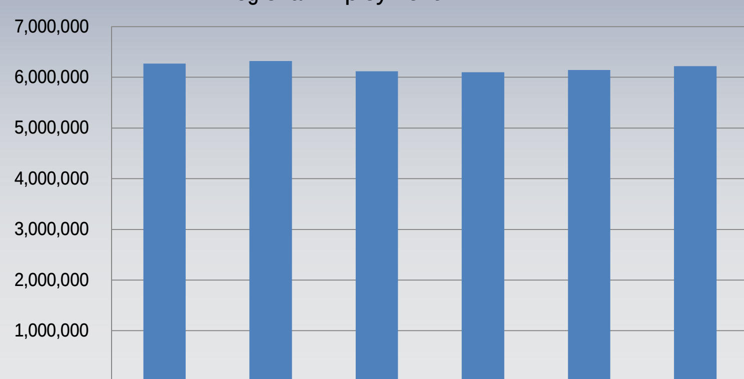
State of Economy Regional Employment Recovering

Regional Employment



	2007	2008	2009	2010	2011	2012
Regional Employment	6,269,031	6,321,073	6,117,081	6,101,339	6,142,460	6,218,427

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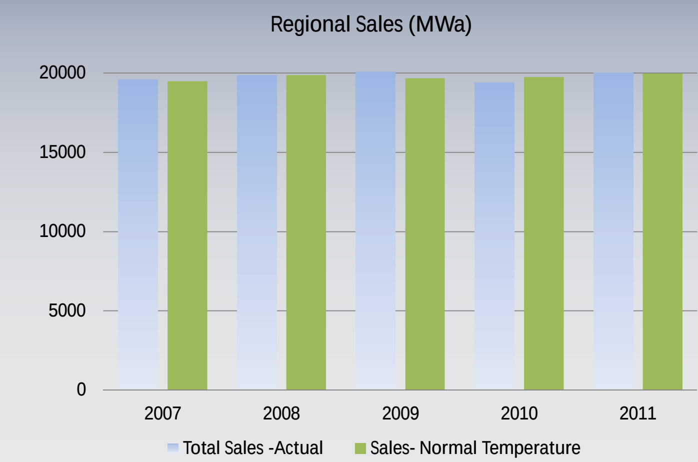
On Average Impact of weather on Sales has been minimal



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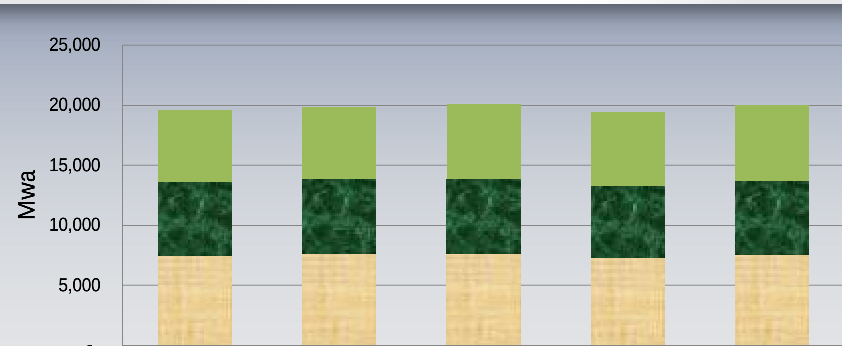
Utility Retail Sales have been stable

(Sales shown are net of conservation achievements)



	2007	2008	2009	2010	2011
Industrial	5,978	6,016	6,244	6,127	6,352
Commercial	6,175	6,244	6,191	5,978	6,101
Residential	7,430	7,629	7,674	7,303	7,575

Compared to 2007
Industrial sector sales has grown by about 400 MWa,
Commercial sector sales has gone down by about 65 MWa
Residential sector increased by about 150 MWa

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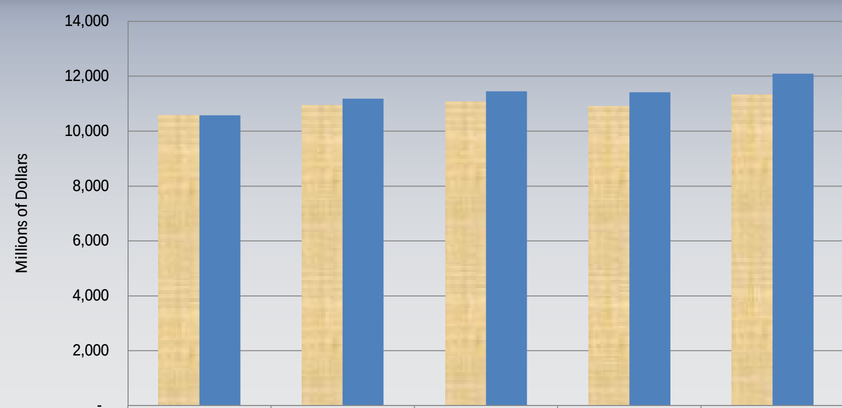
Utility Revenues Have Been Growing



	2007	2008	2009	2010	2011
2007 dollars	10,578	10,940	11,085	10,926	11,332
Current Dollars	10,578	11,183	11,450	11,416	12,093

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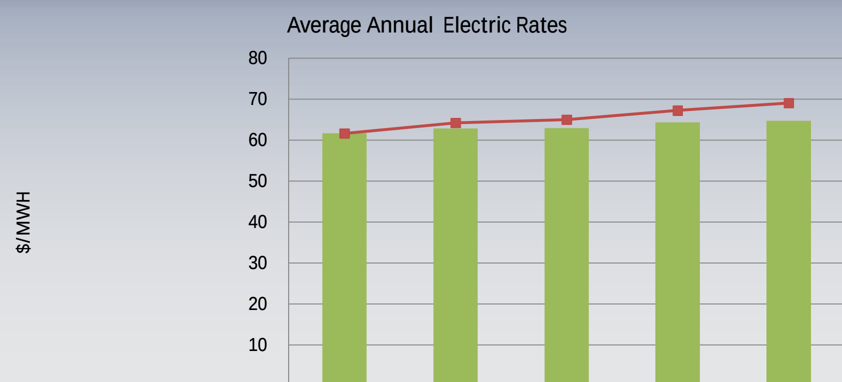
Regional Electric Rates have been growing at 2.9% per year, but once adjusted for inflation 1.2% per year



	2007	2008	2009	2010	2011
$/MWH- adjusted for Inflation	62	63	63	64	65
$/MWH	62	64	65	67	69

Inflation averaged about 1.7 % per year.

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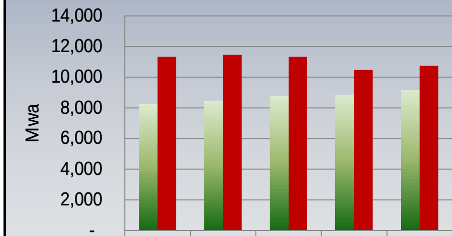
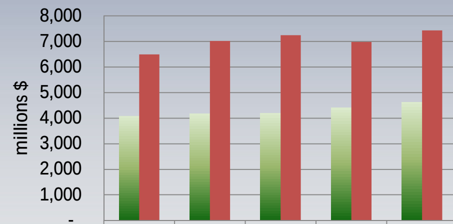
Publics and IOUS Sales growing at differing rates



	2007	2008	2009	2010	2011
Publics	8,248	8,431	8,750	8,854	9,189
IOUS	11,337	11,456	11,342	10,470	10,751



	2007	2008	2009	2010	2011
Publics	4,087	4,170	4,200	4,405	4,632
IOUS	6,491	7,017	7,241	6,976	7,427

- Public utility sales has been growing at 2.7% annually.
- IOU sales has declined at annual rate of 1.3%
- Revenues of both IOUs and Publics has been growing at about 3.3% per year.

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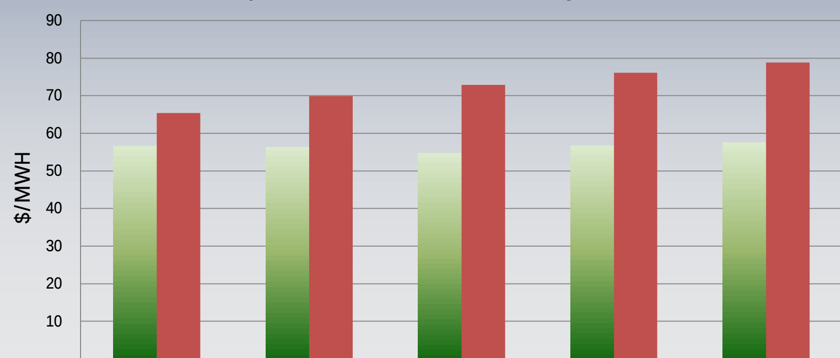
Public and IOU Average Rate Gap has increased



	2007	2008	2009	2010	2011
Public	57	56	55	57	58
IOUs	65	70	73	76	79

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Rate differential across customer class

	2005	2006	2007	2008	2009	2010	2011
Residential							
Public	68	68	68	68	68	72	73
IOU	67	71	80	86	90	92	96
% Difference	0%	-5%	-15%	-21%	-24%	-22%	-24%
Commercial							
Public	59	60	58	58	58	62	63
IOU	65	68	71	74	79	81	84
% Difference	-9%	-12%	-18%	-22%	-26%	-23%	-25%
Industrial							
Public	39	40	41	40	35	37	37
IOU	39	40	40	42	47	50	51
% Difference	0%	2%	3%	-5%	-25%	-26%	-27%
All Sectors							
Public	56	57	57	56	55	57	58
IOU	59	62	67	71	76	78	81
% Difference	-6%	-9%	-15%	-20%	-28%	-27%	-29%

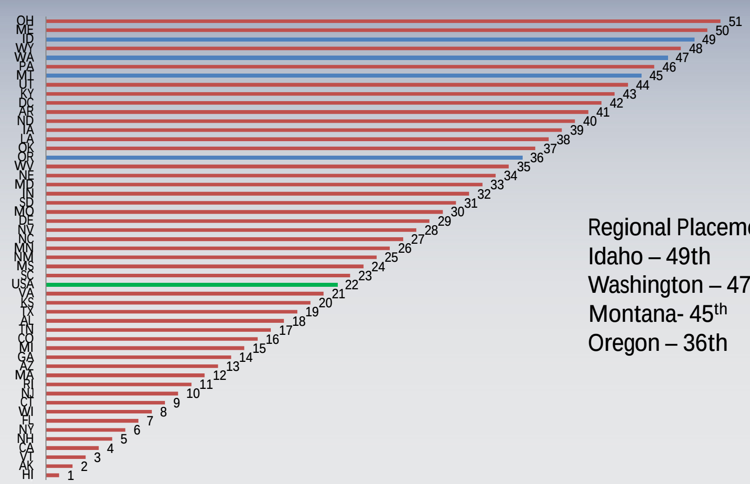
Small Utilities

Small utilities represent about 12-13% of sales and roughly 11% of the electric revenue in the region. Since 2007, sales have been growing at about 1.1% per year and rates have been growing at 1.8% per year prior to adjustment for inflation and 0.2% after.

Small Utility Sub-group	2,007	2,008	2,009	2,010	2,011	Annual Rate
Revenue $000,000	1,227	1,267	1,293	1,318	1,378	2.9%
Sales MWA	2,421	2,489	2,529	2,449	2,531	1.1%
Rates $/MWH	58	58	58	61	62	1.8%
Rates adj. for inflation	58	57	56	59	58	0.2%

Northwest rates are among some of the lowest in the Country

2011 State Ranking of Average Electric Rates
highest Rate = Ranking 1



Regional Placement
Idaho – 49th
Washington – 47th
Montana- 45th
Oregon – 36th

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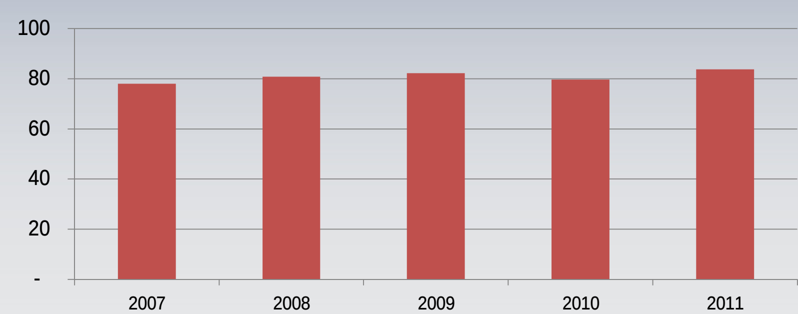
Although Electric Rates Have Increased the overall Electric Bills have been growing slowly.

Average Monthly Residential Bill
adjusted for inflation
$/household



This translate to about 1 dollar per day per person
(Assuming 2.5 person per household)

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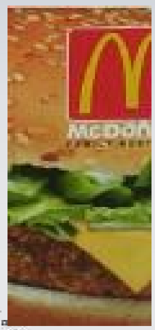
What would you get for $1 per day

- One sixth of a Big Mac and drink.
- Or 10 minutes of the Godfather movie
- Or 1/3 of a cup of Latte.



In summary

- Net Regional Sales are growing across all utility types.
- Revenues collected are growing faster than sales.
- The rates are growing but at varying degree.
- The rate gap between Public and IOUs is increasing.
- Electric bills are modest and growing slowly.